Feature	401(k)	Roth 401(k)	403(b)	Roth 403(b)	457	Roth 457
Contributions	Employee: $23,000 (including $7,500 catch-up if 50+). Employer match may vary.	Employee: $23,000 (including $7,500 catch-up if 50+). Employer match may vary.	Employee elective deferrals up to $22,500 (2024). Additional catch-up of $7,500 if 50+ years old. Employer contributions may also be made.	Same as 403(b).	Employee elective deferrals up to $22,500 (2024). Additional catch-up of $7,500 if 50+ years old. Special catch-up contributions for those within three years of retirement age.	Same as 457.
Eligibility and Participation	Typically offered by employers. Part-time and full-time employees are eligible with some restrictions.	Typically offered by employers. Part-time and full-time employees are eligible with some restrictions.	Available to employees of public schools, certain tax-exempt organizations, and certain ministers.	Same as 403(b).	Available to state and local government employees and certain tax-exempt organization employees.	Same as 457.
Tax Advantages	Pre-tax contributions reduce taxable income. Earnings grow tax-deferred until withdrawal.	Contributions made with after-tax dollars. Earnings grow tax-free.	Contributions are pre-tax, reducing taxable income. Earnings grow tax-deferred until withdrawal.	Contributions are made with after-tax dollars. Qualified withdrawals are tax-free.	Contributions are pre-tax, reducing taxable income. Earnings grow tax-deferred until withdrawal.	Contributions are made with after-tax dollars. Qualified withdrawals are tax-free.
Setup and Maintenance	Employer set up and maintains the plan. Higher administrative costs.	Employer set up and maintains the plan. Higher administrative costs.	Employers typically handle setup. Low maintenance required for participants.	Employers typically handle setup. Low maintenance required for participants.	Employers typically handle setup. Low maintenance required for participants.	Employers typically handle setup. Low maintenance required for participants.
Withdrawal Rules	Penalty for withdrawals before 59½. RMDs start at 73.	Penalty for withdrawals before 59½. RMDs start at 73.	Withdrawals are taxed as ordinary income. Early withdrawals before age 59½ may incur a 10% penalty, with some exceptions.	Qualified withdrawals (made after age 59½ and the account being open for at least 5 years) are tax-free. Non-qualified withdrawals may incur taxes on earnings.	Withdrawals are taxed as ordinary income. No early withdrawal penalty for distributions after separation from service, regardless of age.	Qualified withdrawals (made after age 59½ and the account being open for at least 5 years) are tax-free. Non-qualified withdrawals may incur taxes on earnings.
Other Considerations	Employer may offer a match. Loan options may be available.	Employer may offer a match. Loan options may be available.	Loan provisions may be available. Required Minimum Distributions (RMDs) begin at age 73.	Same as 403(b), but RMDs apply to the Roth 403(b) unless rolled over into a Roth IRA.	Loan provisions may be available. No 10% early withdrawal penalty, but RMDs begin at age 73.	Same as 457, but no 10% early withdrawal penalty. RMDs apply unless rolled over into a Roth IRA.

Feature	Thrift Savings Plan (TSP)	Traditional IRA	Roth IRA	SEP IRA	SIMPLE IRA
Contributions	Federal employees can contribute up to the annual IRS limit ($22,500 for 2024; $30,000 if age 50 or older). - Agency Contributions: Up to 5% of basic pay (1% automatic + up to 4% matching).	$7,000 ($8,000 if 50+).	$7,000 ($8,000 if 50+).	Employer: Lesser of 25% of compensation or $66,000.	Employee: $15,500 ($19,000 if 50+). Employer: up to 3% match or 2% non-elective contribution.
Eligibility and Participation	Federal employees and members of the uniformed services. Automatically enrolled at a default contribution rate unless opted out. Can start contributing immediately upon employment.	Anyone with earned income can contribute.	Anyone with earned income can contribute.	Self-employed or small business owners. Employees who are 21+, worked 3 out of last 5 years, and earned $750+.	Small businesses with 100 or fewer employees. Employees with $5,000 in compensation in prior 2 years.
Tax Advantages	Contributions are pre-tax, lowering taxable income. Earnings grow tax-deferred, and taxes are paid upon withdrawal. - Roth TSP: Contributions are made with after-tax dollars, and qualified withdrawals are tax-free.	Pre-tax contributions reduce taxable income. Earnings grow tax-deferred until withdrawal.	Contributions made with after-tax dollars. Earnings grow tax-free.	Pre-tax contributions reduce taxable income. Earnings grow tax-deferred until withdrawal.	Pre-tax contributions reduce taxable income. Earnings grow tax-deferred until withdrawal.
Setup and Maintenance	Enrolled automatically for eligible employees. Contributions can be adjusted via the TSP website or through employer payroll systems. Low administrative fees, typically much lower than private sector plans. Investment options include various index funds and lifecycle funds.	Easy to set up individually. Low administrative costs.	Easy to set up individually. Low administrative costs.	Easy to set up individually. Low administrative costs.	Employer set up and maintains the plan. Moderate administrative costs.
Withdrawal Rules	Penalty-free withdrawals after age 59½. - Early Withdrawal: Subject to a 10% penalty and income tax, with exceptions for specific situations (e.g., financial hardship, permanent disability). - Required Minimum Distributions (RMDs): Begin at age 73. - Loan Option: Can borrow against own contributions for specific purposes (e.g., home purchase, hardship).	Penalty for withdrawals before 59½. RMDs start at 73.	Penalty for withdrawals before 59½. Contributions can be withdrawn anytime tax- and penalty-free. No RMDs.	Penalty for withdrawals before 59½. RMDs start at 73.	Penalty for withdrawals before 59½. RMDs start at 73.
Other Considerations	- Portability: TSP balances can be transferred or rolled over to other retirement accounts if leaving federal service. - Investment Options: Limited to five core funds and lifecycle funds. - Account Management: Participants can manage their accounts and make changes to their contribution allocations via the TSP website.	Income limits for tax-deductible contributions if covered by a retirement plan at work.	Income limits for contributions. Contributions phase out at higher income levels. Savers with income at or below $161,000 ($240,000 for married couples filing jointly) can contribute to a Roth IRA.	Contributions must be uniform for all eligible employees. No catch-up contributions.	Must not maintain any other retirement plan. 3-year rule for employer contributions.

Contributions to a Traditional IRA are subject to the annual contribution limit, regardless of whether you have already paid taxes on the money you are contributing. For 2024, the contribution limit for a Traditional IRA is $7,000, or $8,000 if you are age 50 or older, which includes any combination of deductible (pre-tax) and non-deductible (after-tax) contributions. Here's a bit more detail:

Contribution Limits

- **Annual Limit**: $7,000 ($8,000 if age 50 or older) for 2024.
- **Tax Status of Contributions**: Contributions can be pre-tax (deductible) or post-tax (non-deductible), but the total amount contributed must not exceed the annual limit.

Deductibility

- **Income Limits for Deductibility**: If you or your spouse are covered by a retirement plan at work, the deductibility of your Traditional IRA contributions may be limited based on your income.

Non-Deductible Contributions

- **Form 8606**: If you make non-deductible contributions, you must report them on IRS Form 8606 each year you make a non-deductible contribution. This helps keep track of your basis (the amount of non-deductible contributions) so that you are not taxed on that amount again when you withdraw it in retirement.

Example

If you have already paid taxes on the $125,000 you want to contribute, you can still only contribute up to $7,000 ($8,000 if 50+) in a given year to your Traditional IRA. Any amount over this limit would not be allowed as an IRA contribution and would need to be invested elsewhere.

Strategy for Excess Contributions

- **Taxable Brokerage Account**: Invest the excess amount in a taxable brokerage account.
- **Other Retirement Accounts**: Consider contributing to other retirement accounts with higher limits, such as a SEP IRA or a 401(k), if you have access to them.

This ensures you stay within IRS rules while maximizing your retirement savings.

You can contribute to both a Roth IRA and a Roth 403(b) in the same year, but each account has its own contribution limits and rules.

Roth IRA

- **Annual Contribution Limit**: For 2024, the contribution limit for a Roth IRA is $7,000 if you are under 50 years old. If you are 50 or older, you can contribute an additional $1,000 as a catch-up contribution, making the limit $8,000.
- **Income Limits**: Your ability to contribute to a Roth IRA may be limited based on your modified adjusted gross income (MAGI).

Roth 403(b)

- **Annual Contribution Limit**: For 2024, the contribution limit for a Roth 403(b) is $23,000 if you are under 50 years old. If you are 50 or older, you can contribute an additional $7,500 as a catch-up contribution, making the limit $30,500.
- **Coordination with Traditional 403(b)**: The total contribution to both Roth and traditional 403(b) accounts combined cannot exceed the annual limit mentioned above.

Summary

- You can contribute to both a Roth IRA and a Roth 403(b) in the same year, provided you do not exceed the individual contribution limits for each account type.
- For 2024, you can contribute up to $7,000 ($8,000 if 50 or older) to a Roth IRA, and up to $23,000 ($30,500 if 50 or older) to a Roth 403(b).

It's important to note that these limits are subject to change based on IRS regulations, so it's a good idea to check the latest guidelines each year.

Notes:

- **Contribution limits** may be indexed for inflation and can change annually.

- **RMDs (Required Minimum Distributions)** must begin by April 1 following the year you turn 73, but the SECURE Act 2.0 may have updated rules.
- **Catch-up contributions** allow older workers to save more as they approach retirement.
- **Qualified withdrawals** for Roth accounts require the account to be open for at least five years and the participant to be at least 59½ years old.
- **Loan provisions** allow participants to borrow against their retirement savings, but rules vary by plan.

There are limits and rules when using a combination of the various retirement savings plans. These limits can depend on the type of plan and whether contributions are being made to multiple plans. Here's a summary:

1. 401(k), Roth 401(k), 403(b), and Roth 403(b):

- **Annual Contribution Limit:** The combined contribution limit for 401(k), Roth 401(k), 403(b), and Roth 403(b) plans is $22,500 for 2024 (under age 50). This is the total contribution limit for employee deferrals, regardless of how many of these plans you contribute to.
- **Catch-Up Contributions:** If you're 50 or older, you can contribute an additional $7,500, bringing the total to $30,000 in 2024.
- **Employer Contributions:** Employer contributions do not count against the $22,500 limit but are subject to a combined limit for employee and employer contributions (the lesser of $66,000 or 100% of compensation for 2024).

2. 457 and Roth 457 Plans:

- **Annual Contribution Limit:** The 457 plan has a separate contribution limit of $22,500 for 2024. This limit is separate from 401(k), Roth 401(k), 403(b), and Roth 403(b) limits, meaning you can max out both a 457 and one of the other plans.
- **Catch-Up Contributions:** If you're 50 or older, you can contribute an additional $7,500 to a 457 plan. There is also a special catch-up provision allowing up to $45,000 for those within three years of normal retirement age.

3. Thrift Savings Plan (TSP):

- **Annual Contribution Limit:** The TSP, available to federal employees and military personnel, has the same contribution limit as 401(k) plans—$22,500 for 2024.
- **Catch-Up Contributions:** Participants 50 or older can contribute an additional $7,500.
- **Coordination:** The TSP contribution limit is coordinated with other 401(k) and 403(b) plans. This means the $22,500 limit applies to all combined contributions.

4. Traditional IRA and Roth IRA:

- **Annual Contribution Limit:** The combined limit for contributions to Traditional IRAs and Roth IRAs is $8,000 for 2024 ($7,000 base plus $1,000 catch-up if 50 or older).
- **Income Limits for Roth IRA:** Your ability to contribute to a Roth IRA is phased out at higher income levels (e.g., $138,000 - $153,000 for single filers in 2024).
- **Traditional IRA Deductibility:** Contributions to a Traditional IRA may be tax-deductible depending on your income and whether you're covered by a retirement plan at work.

5. SEP IRA:

- **Annual Contribution Limit:** Contributions to a SEP IRA can be up to 25% of compensation, with a maximum limit of $66,000 for 2024.
- **Coordination:** Contributions to a SEP IRA don't affect your ability to contribute to a Traditional or Roth IRA. However, you cannot contribute to both a SEP IRA and a 401(k) from the same employer in the same year.

6. SIMPLE IRA:

- **Annual Contribution Limit:** The contribution limit for a SIMPLE IRA is $15,500 for 2024, with an additional $3,500 catch-up contribution for those 50 and older.
- **Coordination:** SIMPLE IRA contributions are separate from other retirement plan contribution limits, but employer contributions are required.

7. Keogh Plans:

- Retirement plans for self-employed people were formerly referred to as "Keogh plans" after the law that first allowed unincorporated businesses to sponsor retirement plans. Since the law no longer distinguishes between corporate and other plan sponsors, the term is seldom used.
- Keogh plans have more administrative burdens and higher upkeep costs than Simplified Employee Pension (SEP) or 401(k) plans, but the contribution limits are higher, making Keogh plans a popular option for many high-income business owners.

Key Points to Remember:

- **Total Contributions:** Contributions across different employer-sponsored plans (401(k), 403(b), etc.) are generally limited to $22,500 for employee deferrals (2024), but a separate limit applies to 457 plans.
- **Multiple Plans:** You can contribute to multiple types of retirement accounts (e.g., a 401(k) and an IRA), but some limits are coordinated across plans.
- **Employer Contributions:** Employer contributions do not count toward the elective deferral limit but are subject to overall contribution limits.
- **Catch-Up Contributions:** Participants 50 or older can make additional catch-up contributions to most plans.
- **Income Limits:** Contributions to Roth IRAs and deductibility of Traditional IRA contributions may be subject to income limits.

If you are contributing to multiple types of plans, it’s important to be aware of these limits and how they interact to avoid excess contributions, which could result in penalties.

Here's a table comparing 529 Plans, UTMA (Uniform Transfers to Minors Act), and UGMA (Uniform Gifts to Minors Act):

Category	529 Plan	UTMA	UGMA
Contributions	No annual limit, but contributions are considered gifts for tax purposes; gift tax exclusion applies.	No annual limit, but contributions are considered gifts for tax purposes; gift tax exclusion applies.	No annual limit, but contributions are considered gifts for tax purposes; gift tax exclusion applies.
Eligibility and Participation	Anyone can open and contribute to a 529 plan for a beneficiary.	Available for minors (under 18 or 21, depending on state) with an adult custodian managing the account.	Available for minors (under 18 or 21, depending on state) with an adult custodian managing the account.
Tax Advantages	Earnings grow tax-deferred; withdrawals for qualified education expenses are tax-free.	Earnings and withdrawals may be subject to kiddie tax; first $1,250 is tax-free, next $1,250 taxed at child's rate.	Earnings and withdrawals may be subject to kiddie tax; first $1,250 is tax-free, next $1,250 taxed at child's rate.
Setup and Maintenance	Varies by state, often involves minimal fees; can be set up through financial institutions or state plans.	Minimal setup and maintenance costs; custodian manages account until the child reaches the age of majority.	Minimal setup and maintenance costs; custodian manages account until the child reaches the age of majority.
Withdrawal Rules	Must be used for qualified education expenses to avoid taxes and penalties; non-qualified withdrawals are subject to income tax and a 10% penalty on earnings.	Funds can be used for any purpose without penalty once the minor reaches the age of majority.	Funds can be used for any purpose without penalty once the minor reaches the age of majority.
Other Considerations	May affect financial aid; state tax deductions/credits may be available for contributions; account owner retains control.	Ownership transfers to the minor at the age of majority; may affect financial aid.	Ownership transfers to the minor at the age of majority; may affect financial aid.

Summary:

- **529 Plan**: Best suited for saving for education expenses with tax advantages and control retained by the account owner.
- **UTMA/UGMA**: These custodial accounts are used to transfer assets to minors with fewer restrictions on withdrawals but may impact financial aid and result in ownership transfer at the age of majority.

Having an UTMA (Uniform Transfers to Minors Act) account can impact the amount of financial aid your child is eligible for when applying for college. This is because assets in an UTMA account are considered the student's assets for financial aid purposes, which can significantly affect the Expected Family Contribution (EFC) on the Free Application for Federal Student Aid (FAFSA).

Here’s how it works:

1. **Student Assets vs. Parent Assets**: Assets held in the student’s name, like those in an UTMA account, are assessed at a higher rate (20%) when calculating the EFC. In contrast, parental assets are assessed at a much lower rate (up to 5.64%).
2. **Impact on Financial Aid**: Since the EFC is used to determine how much financial aid a student is eligible for, having significant assets in an UTMA account can reduce the amount of need-based aid a student may receive. The more assets in the student's name, the higher the EFC, and the lower the financial aid package may be.
3. **Strategic Considerations**: Some families consider spending down or transferring assets in an UTMA account before the child applies for financial aid to minimize the impact on the financial aid calculation. However, it’s important to note that the child legally owns the assets in the UTMA account, so any decisions regarding these funds should comply with the legal requirements governing UTMA accounts.

In summary, an UTMA account can negatively impact a student's financial aid eligibility because those assets are considered the student's, and therefore assessed at a higher rate than parental assets when determining financial aid

A 529 plan does not have the same level of impact on financial aid eligibility as an UTMA account does. Here's why:

1. **Treatment as a Parental Asset**: Unlike UTMA accounts, 529 plans are typically considered a parental asset if the parent owns the account. This is significant because parental assets are assessed at a much lower rate (up to 5.64%) on the FAFSA compared to student-owned assets (20%).
2. **Less Impact on EFC**: Because 529 plan assets are assessed as parental assets, they have a much smaller impact on the Expected Family Contribution (EFC), which determines financial aid eligibility. This makes 529 plans a more favorable option for saving for college in terms of financial aid implications.
3. **Qualified Distributions**: Withdrawals from a 529 plan that are used for qualified education expenses are not counted as income on the FAFSA, so they don't negatively impact financial aid in the year they are used. In contrast, if UTMA account funds are used to pay for college, they could potentially count as income on the FAFSA, further reducing financial aid eligibility.

In summary, a 529 plan generally has less of a negative impact on financial aid compared to an UTMA account due to its treatment as a parental asset and its favorable rules around withdrawals for qualified expenses.

Taxable Savings / Brokerage Accounts

In a taxable investment account, you pay taxes on gains in two main situations:

1. **When You Sell Investments**: If you sell an investment at a profit, you realize a capital gain, which is subject to capital gains tax. The type of capital gains tax you pay depends on how long you held the investment:
   - **Short-Term Capital Gains**: If you held the investment for one year or less, the gain is taxed as ordinary income, at your regular income tax rate.
   - **Long-Term Capital Gains**: If you held the investment for more than one year, the gain is taxed at a lower long-term capital gains rate, which can be 0%, 15%, or 20%, depending on your income.
2. **Dividends and Interest**: Even if you don't sell investments, you may still owe taxes on dividends or interest generated by the investments:
   - **Qualified Dividends**: Generally taxed at the long-term capital gains rate.
   - **Ordinary (Non-Qualified) Dividends and Interest**: Taxed as ordinary income at your regular income tax rate.

So, you pay taxes annually on dividends and interest, and on capital gains only when you sell an investment.

Paying taxes yearly on dividends and interest from a taxable investment account does not increase the basis of your investments. Here's how it works:

- **Basis**: The basis (or cost basis) of an investment is generally what you paid for it, including any commissions or fees. The basis is used to determine the capital gain or loss when you eventually sell the investment.
- **Dividends and Interest**: When you pay taxes on dividends or interest each year, these payments do not affect the basis of your underlying investments. The basis of the investment remains the same unless you reinvest those dividends.
- **Reinvested Dividends**: If you choose to reinvest dividends back into the same investment (e.g., purchasing additional shares of a stock or mutual fund), the reinvested dividends increase your basis in that investment. This is because you are effectively purchasing more of the investment with those dividends.
- **Selling Investments**: When you sell an investment, the gain or loss is calculated based on the difference between the sale price and the basis of the investment. Paying taxes on dividends and interest over the years doesn't reduce the recorded gains when you eventually sell the investment unless those dividends were reinvested and thus increased your basis.

In summary, paying taxes on dividends and interest each year does not increase your basis. However, if those dividends are reinvested, they do increase your basis, which could reduce your recorded gains when you sell the investment.

Reinvesting interest and reinvesting dividends are similar in that both involve using earned income from an investment to purchase more of the same or similar investments. However, there are some differences between them:

Reinvesting Dividends

- **Dividends** are payments made by a company or fund to its shareholders, usually from profits.
- When you **reinvest dividends**, the dividend payments are used to purchase additional shares of the stock or fund that paid the dividend.
- Reinvested dividends increase your cost basis in the investment. This means that when you eventually sell the investment, the capital gain or loss is calculated based on the increased basis, which includes the original purchase amount plus the reinvested dividends.

Reinvesting Interest

- **Interest** is income earned from bonds, savings accounts, or other fixed-income investments.
- When you **reinvest interest**, the interest payments are used to purchase more of the same or similar fixed-income investments (e.g., more bonds or shares in a bond fund).
- Reinvested interest also increases your cost basis in the investment, similar to reinvested dividends. This is more common with bond funds, where the interest can be automatically reinvested to purchase additional shares.

Key Differences

- **Source of Income**: Dividends come from profits of stocks or mutual funds, while interest is earned from fixed-income investments like bonds.
- **Frequency and Amount**: Dividends may be paid quarterly, semi-annually, or annually, and the amount can vary based on company performance. Interest is usually paid at regular intervals (e.g., monthly or annually) and is often more predictable.
- **Tax Treatment**: Both reinvested dividends and interest increase your cost basis, but the tax treatment of dividends and interest can differ:
    - **Qualified Dividends** may be taxed at the lower long-term capital gains rate.
    - **Ordinary Dividends and Interest** are typically taxed at your ordinary income tax rate.

In summary, while reinvesting interest and dividends are conceptually similar, they come from different sources and may have different tax implications. Both increase your cost basis in the investment, which can reduce the capital gains tax when you eventually sell the investment.

Here's a table showing the Modified Adjusted Gross Income (MAGI) limits for eligibility to contribute to various retirement accounts, including a 401(k), Roth 401(k), Traditional IRA, Roth IRA, SEP IRA, and SIMPLE IRA. Note: 403, 457 follow 401.

Retirement Account	MAGI Limits (2024)	Contribution Eligibility	Contribution Limit (2024)
401(k)	No MAGI limit	Eligible to contribute regardless of MAGI	$23,000 (under 50) $30,500 (50 and over)
Roth 401(k)	No MAGI limit	Eligible to contribute regardless of MAGI	$23,000 (under 50) $30,500 (50 and over)
Traditional IRA	**With Workplace Retirement Plan:** - Single/Head of Household: $73,000 - $83,000 - Married Filing Jointly: $116,000 - $136,000 **Without Workplace Retirement Plan:** No MAGI limit	Full contribution if MAGI is below phase-out range; partial contribution within phase-out range	$7,000 (under 50) $8,000 (50 and over)
Roth IRA	- Single/Head of Household: $138,000 - $153,000 - Married Filing Jointly: $218,000 - $228,000	Full contribution if MAGI is below phase-out range; partial contribution within phase-out range	$7,000 (under 50) $8,000 (50 and over)
SEP IRA	No MAGI limit	Eligible to contribute regardless of MAGI	The lesser of $66,000 or 25% of compensation
SIMPLE IRA	No MAGI limit	Eligible to contribute regardless of MAGI	$15,500 (under 50) $21,500 (50 and over)

Notes:

1. **401(k) and Roth 401(k):** The combined contribution limit for 2024 is $23,000 for those under 50 and $30,500 for those 50 and older due to the catch-up contribution of $7,500.
2. **Traditional IRA and Roth IRA:** The contribution limit is $7,000 for those under 50 and $8,000 for those 50 and older, including a $1,000 catch-up contribution.
3. **SEP IRA:** The contribution limit is the lesser of $66,000 or 25% of your compensation for 2024.
4. **SIMPLE IRA:** The contribution limit is $15,500 for those under 50 and $21,500 for those 50 and older, including a $6,000 catch-up contribution.
5. **401(k) and Roth 401(k):** There are no income limits for contributing to these accounts. Contributions are allowed as long as you have earned income.
6. **Traditional IRA:** If you or your spouse are covered by a retirement plan at work, MAGI limits apply for deducting contributions. If neither is covered, you can contribute and deduct the full amount regardless of income.
7. **Roth IRA:** Contributions are limited based on your MAGI. The ability to contribute phases out as your income increases within the specified ranges.
8. **SEP IRA and SIMPLE IRA:** These accounts are generally used by small businesses and self-employed individuals. There are no MAGI limits for contributions.

A Health Savings Account (HSA) is a tax-advantaged account designed to help individuals save for medical expenses. Here's a breakdown of what you need to know about HSAs:

1. Eligibility to Open an HSA

- **High-Deductible Health Plan (HDHP):** To open an HSA, you must be enrolled in a High-Deductible Health Plan (HDHP). For 2024, an HDHP is defined as a health insurance plan with a minimum deductible of $1,600 for individual coverage or $3,200 for family coverage. The maximum out-of-pocket expenses (including deductibles, co-payments, and other amounts, but not premiums) are $8,050 for individual coverage and $16,100 for family coverage.
- **No Other Health Coverage:** You generally cannot be covered by any other non-HDHP health insurance.
- **Not Enrolled in Medicare:** You cannot be enrolled in Medicare.
- **Not Claimed as a Dependent:** You cannot be claimed as a dependent on someone else's tax return.

2. MAGI Limits

- **No MAGI Limits:** There are no Modified Adjusted Gross Income (MAGI) limits for contributing to an HSA. As long as you meet the eligibility criteria, you can contribute regardless of your income.

3. Contribution Limits (2024)

- **Individual Coverage:** You can contribute up to $4,150 annually.
- **Family Coverage:** You can contribute up to $8,300 annually.
- **Catch-Up Contribution:** If you are 55 or older, you can contribute an additional $1,000 per year.

4. Withdrawal Requirements

- **Qualified Medical Expenses:** Withdrawals from an HSA are tax-free if used to pay for qualified medical expenses, including doctor visits, prescription medications, dental care, vision care, and certain over-the-counter medications.
- **Non-Medical Withdrawals:** If you withdraw funds for non-medical expenses before age 65, the withdrawal is subject to both income tax and a 20% penalty. After age 65, non-medical withdrawals are subject to income tax but not the penalty.
- **Timing of Withdrawals:** There are no time restrictions on when you can withdraw funds for qualified medical expenses. You can even reimburse yourself for past medical expenses if you kept the receipts and the expenses occurred after you established the HSA.

5. Additional Benefits

- **Triple Tax Advantage:** Contributions are tax-deductible, earnings grow tax-free, and withdrawals for qualified medical expenses are tax-free.
- **Rollover:** Unlike Flexible Spending Accounts (FSAs), HSAs are not "use it or lose it." The funds roll over year to year, and you can use them whenever you need.

HSAs are a powerful tool for saving for both current and future healthcare expenses, especially since they offer significant tax advantages and flexibility.

When you itemize your tax deductions, you can claim medical expenses that exceed a certain percentage of your Adjusted Gross Income (AGI). Here's how it works:

1. Medical Expense Deduction Threshold

- **Threshold:** You can deduct unreimbursed medical and dental expenses that exceed **7.5%** of your AGI. This means that if your total medical expenses for the year are more than 7.5% of your AGI, you can deduct the amount that exceeds this threshold.

For example, if your AGI is $50,000, the first $3,750 (7.5% of $50,000) of your medical expenses cannot be deducted. Only the amount above $3,750 can be deducted.

2. Types of Eligible Medical Expenses

- You can deduct a wide range of medical expenses, including:
  - Payments to doctors, dentists, surgeons, chiropractors, psychiatrists, psychologists, and other medical practitioners.
  - Prescription medications and insulin.
  - Costs for medical equipment, supplies, and diagnostic devices.
  - Medical and dental insurance premiums if not paid pre-tax through your employer.
  - Long-term care insurance premiums (subject to certain limitations).
  - Transportation expenses essential to medical care.

It's important to keep detailed records and receipts for these expenses to substantiate your deduction.

3. MAGI Limits

- **No Direct MAGI Limits:** There are no specific Modified Adjusted Gross Income (MAGI) limits for claiming medical expenses. However, since the deduction is based on your AGI, a higher AGI means a higher threshold before you can start deducting medical expenses.

For instance, if your AGI is $100,000, the threshold is $7,500 (7.5% of $100,000), meaning only the portion of your medical expenses that exceed $7,500 can be deducted.

4. Other Considerations

- **Itemizing vs. Standard Deduction:** To claim medical expenses, you must itemize your deductions on your tax return. This means you forego the standard deduction, which is $13,850 for single filers and $27,700 for married couples filing jointly (for 2024). You should only itemize if your total itemized deductions exceed the standard deduction.

Summary

- You can deduct unreimbursed medical expenses that exceed 7.5% of your AGI.
- There are no specific MAGI limits, but a higher AGI raises the threshold you need to exceed to deduct medical expenses.
- You must itemize your deductions to claim medical expenses.

The general recommendation for how many years of living expenses to have in cash and low-risk bonds (such as in your emergency fund or safe investments) can vary depending on your stage in life, risk tolerance, and financial goals. Here are some guidelines:

1. **Emergency Fund**:
   - **3 to 6 months** of living expenses in cash or highly liquid accounts (e.g., savings accounts or money market funds) is often recommended as a minimum. This is to cover unexpected expenses or a sudden loss of income.
   - **6 to 12 months** of living expenses might be more appropriate if your income is less stable, you have dependents, or you prefer a higher level of security.
2. **Pre-Retirement**:
   - **1 to 3 years** of living expenses in cash and low-risk bonds can be prudent for those nearing retirement. This buffer helps protect against market downturns and allows you to avoid withdrawing from higher-risk investments during unfavorable market conditions.
3. **Retirement**:
   - **2 to 5 years** of living expenses is a common recommendation for retirees to hold in cash and low-risk bonds. This allows for flexibility and reduces the need to sell investments in a down market, giving your portfolio time to recover.

These are general guidelines, and the exact amount can depend on your specific situation, including your income sources, financial obligations, and overall risk tolerance.